



Monroe Raw Water Intake Partnership
(a joint venture between the City of Monroe, Michigan and
Frenchtown Township, Michigan)

Financial Report

June 30, 2004

58-7513

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Monroe Raw Water Intake Partnership	County Monroe
Audit Date June 30, 2004	Opinion Date September 24, 2004	Date Accountant Report Submitted To State: December 1, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Hwy.		City Southfield	State MI
Accountant Signature <i>Plante & Moran, PLLC</i>		ZIP 48034	

Monroe Raw Water Intake Partnership

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Independent Auditor's Report

To the Governing Body
Monroe Raw Water Intake Partnership
Monroe, Michigan

We have audited the basic financial statements of the Monroe Raw Water Intake Partnership (City of Monroe, Michigan) for the year ended June 30, 2004. These financial statements are the responsibility of the management of the Monroe Raw Water Intake Partnership. Our responsibility was to express an opinion on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monroe Raw Water Intake Partnership as of June 30, 2004 and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

September 24, 2004

Monroe Raw Water Intake Partnership

Statement of Net Assets June 30, 2004

Assets

Current assets:

Cash (Note 2)	\$ 182,425
Accounts receivable - City and Township	48,615
Prepaid expenses	<u>990</u>

Total current assets 232,030

Capital assets - Net (Note 3) 5,108,019

Total assets 5,340,049

Liabilities - Current - Accounts payable 14,766

Net Assets

Invested in capital assets	5,108,019
Unrestricted	<u>217,264</u>

Total net assets \$ 5,325,283

Monroe Raw Water Intake Partnership

Statement of Changes in Net Assets Year Ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue			
Raw water billings:			
City of Monroe	\$ 260,794	\$ 252,237	\$ (8,557)
Frenchtown Township	135,233	86,590	(48,643)
Investment income	3,000	(649)	(3,649)
Total operating revenue	399,027	338,178	(60,849)
Operating Expenses			
Capital outlay	23,500	-	23,500
Electricity	117,471	112,661	4,810
Other utility costs	10,409	10,550	(141)
Labor and contractual	72,955	50,676	22,279
Operating supplies and chemicals	19,765	18,732	1,033
Equipment rental	2,233	1,750	483
Audit fees	4,305	4,305	-
Total operating expenses	250,638	198,674	51,964
Operating Income	148,389	139,504	(8,885)
Nonoperating Expense - Depreciation	104,500	117,911	(13,411)
Income - Before capital contributions	43,889	21,593	(22,296)
Net Assets - July 1, 2003	5,303,690	5,303,690	-
Net Assets - June 30, 2004	\$ 5,347,579	\$ 5,325,283	\$ (22,296)

Monroe Raw Water Intake Partnership

Statement of Cash Flows Year Ended June 30, 2004

Cash Flows from Operating Activities

Cash received from customers	\$ 340,036
Cash paid to suppliers	(153,251)
Payments to employees	(50,676)
Other receipts/payments	<u>(648)</u>

Net cash provided by operating activities 135,461

Cash Flows from Capital and Related Financing Activities (22,241)

Cash and Cash Equivalents - Beginning of year 69,205

Cash and Cash Equivalents - End of year **\$ 182,425**

Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 139,504
Adjustments to reconcile operating income to net cash from operating activities - Changes in net assets and liabilities:	
Due from other governmental units	1,209
Prepays	(18)
Accounts payable	<u>(5,234)</u>

Net cash provided by operating activities **\$ 135,461**

Monroe Raw Water Intake Partnership

Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The Monroe Raw Water Intake Partnership (the "Partnership") is a partnership between the City of Monroe and Frenchtown Township to provide the raw water intake and treatment that will be transmitted to the ultimate water customers by the two communities. The Partnership was constructed directly by the two communities. The Partnership is operated by the City of Monroe (the "City").

The accounting policies of the Partnership conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Basis of Accounting

The accrual basis of accounting is used by the Partnership.

Fixed Assets - All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary funds on a straight-line basis.

Cash Equivalents - For the purpose of the statement of cash flows, the Partnership considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Investments - Investments are recorded at fair value, based on quoted market prices.

Inventories - Inventories are not significant and therefore have been expensed when purchased.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Deposits and Investments

The Partnership is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

Monroe Raw Water Intake Partnership

Notes to Financial Statements
June 30, 2004

Note 2 - Deposits and Investments (Continued)

At June 30, 2004, the Partnership's cash and investments consist solely of investments in a bank investment pool. Investments are normally categorized to give an indication of the level of risk assumed by the Partnership; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Partnership believes that the investments in these funds comply with the investment authority noted above. The investment pool is regulated by the Michigan Banking Act and the fair value of the position in the pool is the same as the value of the pool shares.

Note 3 - Capital Assets

A summary of the Partnership's fixed assets is as follows:

	Amount	Useful Life - Years
Water mains	\$ 3,296,709	60
Buildings, additions, and improvements	2,821,143	60
Total capital assets	6,117,852	
Less accumulated depreciation	(1,009,833)	
Net book value	\$ 5,108,019	

Note 4 - Risk Management

The Partnership is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Partnership participates in the City's risk management program for workers' compensation, which is accounted for in the City's Internal Service Fund. The Partnership participates, in conjunction with the City, in the Michigan Municipal League Risk Pool for claims related to general liability.

Note 5 - Budget

The State's Budget Act does not require a formal budget to be adopted for Enterprise Funds. However, because of the contractual agreement between the two communities, an annual budget is adopted and is included in these financial statements for management control purposes.